

The 10-20-70 Budget

10% SAVINGS

The first and most important rule is to reward yourself by putting 10% into savings.

Once you have established an emergency fund you can transfer this amount to a different investment vehicle.

An emergency fund should equal three months income. When it becomes necessary to withdraw money from this fund, build it back up immediately from the 10% savings.

20% SPENDING

This is considered fun money. Too often a budget is viewed as a financial straight jacket.

With 20% of your take home pay reserved for spending you have something to look forward to each payday.

This is your spending money, and spend every penny of it. Have fun!

Some typical categories include: spur of the moment ideas, recreation, midnight pizza raids, etc.

70% LIVING EXPENSES

This is the nitty-gritty of the budget. It covers all expenses required to survive on a day-to-day basis.

This category is split into fixed and variable expenses.

Fixed expenses include:

- Mortgage
- Insurance
- Car Loans, etc.

Variable expenses are controllable and include:

- Phone, Cable, Internet
- Groceries
- Magazine Subscriptions
- Credit Cards, etc.

Start Now

There's no better time than right now to get started. Make a decision to take charge of your money and your financial future. Establish an emergency fund. Get the entire family involved.

Adjust Priorities

Determine which expenses are excessive and make adjustments. Set spending priorities based upon need rather than want. Example: You need a second car but you want a Mercedes Benz.

Track Expenses

Knowing where your money is going is vital to any budget. Record where the family income is going according to expense categories. Three months of figures will give you a good assessment.

Review

Look at your budget every three or four months. Has my income changed? Do I really need this item or can it wait? Am I saving enough? Ask yourself these types of questions.

If you are having difficulties with the 10-20-70 budget, adjust the numbers. Perhaps your situation requires a 10-15-75 budget or a 5-15-80 budget.